

STATEMENT OF RICHARD F. WALSH, ACTING DIRECTOR, OFFICE OF MARINE TRANSPORTATION, OFFICE OF POLICY AND INTERNATIONAL AFFAIRS, UNITED STATES DEPARTMENT OF TRANSPORTATION, BEFORE THE SUBCOMMITTEE ON WATER RESOURCES OF THE COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION OF THE U.S. HOUSE OF REPRESENTATIVES ON LEGISLATION TO EXTEND AUTHORIZATIONS FOR THE DEEPWATER PORT PROGRAM, MARCH 27, 1980.

Mr. Chairman and Members of the Subcommittee:

I am Richard F. Walsh, Director, Office of Transportation Economic Analysis and Acting Director, Office of Marine Transportation, in the Department of Transportation. I welcome the opportunity to appear before this Subcommittee today to discuss the Department's Deepwater Port program. With me today is Capt. G. P. Sherburne of the Coast Guard Office of Marine Environment and Systems. The Coast Guard and my office share responsibility for administration of the Deepwater Port Act.

The authorization for appropriations contained in the Deepwater Port Act of 1974, as amended, expires at the end of fiscal year 1980. The administration of the Deepwater Port Act by the Department of Transportation, however, is a continuous, ongoing and active program. Future expenses under the Act will be primarily for administrative costs and salaries. Those incurred by my office will be included under the salary and expenses account of the Office of the Secretary in the Department.

Mr. Chairman, when deepwater ports become operational in this country, they will provide a superior method--from both a cost and an environmental viewpoint --for handling that portion of crude oil which we cannot avoid importing for some years ahead in order to meet our energy needs. The use of supertankers in conjunction with deepwater ports will reduce significantly the per barrel cost of transporting oil and will reduce the danger of spills and increase environmental protection, since fewer conventional tankers would be required to deliver oil to our crowded onshore harbors.

As you know, the Deepwater Port Act of 1974 created a Federal Plan for authorizing and regulating offshore ports designed to receive crude oil from vessels too large to enter conventional American ports. The Act authorizes the Secretary of Transportation to license owners and operators and to issue regulations to control the location, construction, and operation of deepwater ports.

In carrying out the Department's responsibilities under the Act, the Secretary of Transportation approved on January 17, 1977 deepwater port license applications for LOOP INC. and Seadock, Inc. to construct and operate deepwater ports in the Gulf of Mexico off the coasts of Louisiana and Texas, respectively. I would like to discuss each of these projects in some detail.

The LOOP consortium (which consists of Ashland, Marathon, Murphy, Shell and Texaco) accepted its license as offered in 1977 and has been progressing with construction of its deepwater port off the coast of Louisiana. The LOOP facility consists essentially of two offshore platforms which are being constructed in depths of water over 100 feet, one of which will provide pumping capacity and the other domestic accommodations for crew, and three buoys for mooring tankships. A pipeline runs from that point to the Clovelly Salt Dome storage area some 50 miles inland near Galliano, Louisiana. Also under construction are an onshore booster pump station at Fourchon and a brine storage reservoir adjacent to the Clovelly Salt Dome storage facility. The port project, which is currently estimated to cost over \$600 million, will feed directly into several connecting pipe-

lines, one of which is called LOCAP currently under construction. LOCAP in turn feeds Capline, an already existing common carrier crude oil pipeline running from Baton Rouge, Louisiana to specific refinery sites in the States of Illinois, Ohio and Indiana. It is anticipated that 50% of the LOOP crude will find its way to Louisiana refineries with the balance going to refineries in other states.

In addition, LOOP is now beginning to submit its operations manual to the Department for review. LOOP anticipates that its deepwater port will begin operations early in 1981. Until that event, and throughout the lifetime of the deepwater port, DOT will continue to carry the responsibility of monitoring the port's construction, expansion in planned stages, and operation in order to ensure that LOOP is complying with the terms and conditions of its Federal license. Once LOOP becomes operational, Departmental monitoring teams will observe port operations to ensure conformance with environmental and antitrust license provisions, as well as occupational safety. Teams will board the tankers calling at the port to oversee crude oil transfer operations and will continually monitor tanker safety. Surveillance over the port will monitor any oil spill pollution. In the civil rights area, an Affirmative Action Program drafted by the licensee will be monitored to safeguard against any discrimination in employment. We are also establishing procedures to manage the Deepwater Port Liability Fund.

Unlike LOOP, the Seadock consortium ultimately refused the license it was offered for a port off the coast of Texas near Freeport. Subsequently, the Texas Deepwater Port Authority, an agency of the State of Texas, applied for a transfer of this license from Seadock to the TDPA. TDPA plans the same facility as Seadock, but this time with public ownership and revenue bond financing. We received the TDPA's amended license application in August, 1978. Although the Deepwater Port Act of 1974 does not specify the time limit within which an amended application must be processed, we were able to observe the 356 day time frame established for new applicants.

As in the case of both LOOP and Seadock, we consulted with all of those Federal, State and local officials mentioned in the Deepwater Port Act, under the one-window concept, in reviewing the TDPA's amended application. The Seadock Environmental Impact Statement was updated and a supplement was published.

As required by the Act, public hearings on the TDPA proposal were held on April 3, 1979 in Clute, Texas and on May 17, 1979 in Washington, D. C. An antitrust review was carried out by Department personnel in the Office of the Secretary working in close cooperation with the Department of Justice and the Federal Trade Commission. This review resulted in conditions being included in the license that are designed to prevent anticompetitive practices in the operation of the port.

After completing this review of the TDPA's application, an amended license was offered to the TDPA on August 15, 1979. The license is not effective unless the TDPA executes and delivers, on or before May 15, 1980, an acceptance and agreement to comply with the license. As in the case of LOOP, the

offering of the license marked the beginning of the Department's responsibility with respect to the design, construction and operating phases of the port.

Finally, the Department remains prepared to process additional license applications in the event they are received.

Mr. Chairman, this concludes my prepared statement. Capt. Sherburne and I will answer any questions the Subcommittee may have.

